

Message Text

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ORIGIN AGRE-00

INFO OCT-01 EA-09 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00
INR-07 NSAE-00 AID-05 STR-04 L-03 CIEP-02 OMB-01 /039 R

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TO AMEMBASSY JAKARTA PRIORITY

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FROM AGRICULTURE FOR AGRICULTURAL ATTACHE

E.O. 11652: N/A

TAGS: EAGR:ID

SUBJECT: CCC CREDIT COTTON

REF: (A) JAKARTA 16316 (B) FASTO 141

1. THREE-YEAR TERMS FOR PHILIPPINES WERE DUE TO WILLING-
NESS OF PHILIPPINES TO PROVIDE U.S. BANK LETTERS OF CREDIT
FOR FULL AMOUNT OF FINANCING. THIS PERMITTED DETERMINATION
OF CREDIT TERMS TO BE SET WITHIN USDA, WITHOUT APPROVAL OF
NAC. (USDA NOT A VOTING MEMBER OF NAC).
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2. ONE-YEAR TERMS INTEREST RATE ONE-HALF PERCENT LESS
THAN THREE-YEAR TERMS, PROVIDING CURRENT SAVINGS OF DOLS.
45,000 ON INTEREST PER YEAR AT PRESENT RATES.

3. AS STATED IN REF (B), DUE TO EXTREMELY TIGHT SUPPLY

SITUATION DOLS. 9 MILLION CREDIT LINE WAS NOT REPEAT NOT APPROVED WITH 3-YEAR TERMS. EMBASSY APPARENTLY NOT TAKING SERIOUSLY U.S. SUPPLY SITUATION. RECEIVING APPROVAL FOR

1-YEAR TERMS EXTREMELY FORTUITOUS. SERIOUSNESS OF U.S. SUPPLY SITUATION MUST BE APPRECIATED.

4. SINCE JULY 1, 1976, FINANCING FROM THIS YEAR'S COTTON CROP TO INDONESIA TOTALED DOLS. 26.2 MILLION OR ABOUT 76,000 BALES. (TQ DOLS. 12.5 MILLION--38,000 BALES, PLUS DOLS. 4.7 MILLION SLOP-OVER--13,000 BALES, PLUS DOLS. 9 MILLION OF CURRENT LINE--APPROXIMATELY 25,000 BALES AT CURRENT PRICES). THIS IS 26 PERCENT OF INDONESIA'S ESTIMATED IMPORT NEEDS THIS YEAR. CURRENT LINE OF DOLS. 9 MILLION REPRESENTS SIXTY PERCENT OF INDONESIAN REQUEST. IN COMPARISON PHILIPPINES HAVE RECEIVED ONLY DOLS. 10 MILLION CREDIT FOR ABOUT 27,000 BALES SINCE JULY 1, 1976, OR 17 PERCENT OF 163,000 BALES ESTIMATED TOTAL IMPORT REQUIREMENT. PHILIPPINE LINE REPRESENTS ONLY ONE-THIRD OF AMOUNT REQUESTED. REQUESTS FROM OTHER COUNTRIES PROPORTINATELY REDUCED.

5. PHILIPPINES ALSO PURCHASING TOBACCO AND WHEAT UNDER CREDIT. (TOBACCO, AS WELL AS COTTON REQUEST, REDUCED--TERMS FOR TOBACCO ONE-YEAR INSTEAD OF THREE).

6. IF INDONESIA USED CCC CREDIT TO PURCHASE U.S. WHEAT, FOREIGN EXCHANGE SAVINGS COULD BE USED TO PURCHASE U.S. COTTON FOR CASH TO MAINTAIN IMPORTS. HOWEVER IT APPEARS INDONESIANS WILLING TO BUY PORTION WHEAT NEEDS ONLY UNDER UNCLASSIFIED

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PL-480 AND BALANCE FOR CASH FROM OTHER SOURCES--PRESUMABLY CANADA AND AUSTRALIA.

7. RE STATED DESIRES OF GOI TO PURCHASE COTTON UNDER CCC CREDIT PRIOR TO APRIL 19 AGREEMENT SIGNING, OFFICE OF AG ATTACHE WAS ALERTED THAT NO CCC CREDIT FOR INDONESIA WOULD BE CONSIDERED UNTIL AFTER OCTOBER 1, 1976, THAT CCC CREDIT BUDGET FOR COTTON IN FY 1977 EXTREMELY LIMITED; AND CCC CREDIT FINANCING DESIGNED TO SUPPLEMENT NOT REPLACE COTTON PURCHASE FOR CASH. (SEE FASTO 49, APRIL 15, 1976) THEREFORE GOI SHOULD HAVE BEEN AWARE OF CCC CREDIT PROBLEMS WITH COTTON LAST APRIL. DIFFICULT TO UNDERSTAND INDONESIAN RELUCTANCE TO ACCEPT SITUATION.

8. FASTO 112, DATED OCTOBER 4, PARA 3, NOTED THAT CCC CREDIT WOULD PREFER NO ADDITIONAL COTTON CREDITS IN VIEW OF LIMITED COTTON SUPPLY. NEVERTHELESS IN SPITE OF TIGHT SUPPLY SITUATION, CCC CREDIT PROGRAM WAS ABLE TO

PROVIDE DOLS. 9 MILLION OF THE DOLS. 15 MILLION REQUESTED
FOR COTTON. SUGGEST GOI BE REMINDED THAT CCC CREDIT NOT
CONCESSIONAL OR AID-TYPE PROGRAM BUT IS STRICTLY

COMMERCIAL, AND AS SUCH, COMMODITY ELIGIBILITY,
AVAILABILITY, QUANTITIES AND CREDIT TERMS SUBJECT
SPECIFICALLY TO U.S. DOMESTIC SITUATION.

9. RE PARA 1 REF (A) THERE IS NO REPT NO TITLE I COTTON
ALLOCATION FOR GOI PROJECTED DURING FY 1977. CONSE-
QUENTLY THE QUESTION OF TIED UMR'S FOR FUTURE COTTON
PROGRAMMING WOULD BE ACADEMIC AT PRESENT TIME. ANY
CONSIDERATION COTTON PROGRAMMING BEYOND FY 1977 WOULD OF
COURSE BE IN CONTEXT OF ALTERED CIRCUMSTANCES AND
COMMERCIAL TRADE HISTORY. HOWEVER, IT APPEARS UNLIKELY
USG ABLE ABANDON PRINCIPLE TIED UMR FOR COTTON WHERE
TRADE HISTORY OF COMMERCIAL PURCHASES FROM U.S. EXISTS.
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